

SCHEDULE 1 -- GAS TRANSPORTATION FACILITY SUMMARY SHEET

2 ACCOUNTING ID NUMBER: _____

1 PAYOR NAME AND CODE _____

SELLING ARRANGEMENT CODE: _____

FACILITY NAME/ID NUMBER: _____

ADDRESS _____

PRODUCT CODE: _____

CITY _____ STATE _____ ZIP _____

PERIOD: _____ 19 _____ to _____ 19 _____

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
Segment Name or Number	Mode of Transportation	Arm's-Length/ Payor-Owned Indicator	Arm's-Length Contract/ Payor-Owned Operating Costs	Depreciation	Rate of Return	Undepreciated Capital Investment at Beginning of Year	Return on Investment (f) x (g)	
From	To							
A. TRANSPORTING GAS TO A REMOTE GAS PROCESSING FACILITY.								
_____	_____	_____	_____	\$ _____	\$ _____	_____	\$ _____	3
_____	_____	_____	_____	_____	_____	_____	_____	4
_____	_____	_____	_____	_____	_____	_____	_____	5
_____	_____	_____	_____	_____	_____	_____	_____	6
_____	_____	_____	_____	_____	_____	_____	_____	7
Totals				\$ _____	\$ _____	_____	\$ _____	8

Allowance rate = (lines 8d + 8e + 8h)/Quantity of production transported from the lease to the gas processing facility.

$$\frac{\text{Part A Total Cost}}{\text{Part A Total Quantity}} = \frac{\$ \text{_____}}{\text{Gas Rate/Mcf}} \quad \text{9}$$

Allowance rate for transporting NGL's or Sulfur from the lease to plant.

B. TRANSPORTING GAS OR GAS PRODUCTS FROM LEASE OR PLANT TO A REMOTE SALES POINT.

_____	_____	_____	_____	\$ _____	\$ _____	_____	\$ _____	11
_____	_____	_____	_____	_____	_____	_____	_____	12
_____	_____	_____	_____	_____	_____	_____	_____	13
Totals				\$ _____	\$ _____	_____	\$ _____	14

Allowance rate = (lines 14d + 14e + 14h)/Quantity of products.

$$\frac{\text{Part B Total Cost}}{\text{Part B Total Quantity}} = \frac{\$ \text{_____}}{\text{Product Rate}} \quad \text{15}$$

Total Unit Allowance Rate = the sum of line 9h and 15h if the allowance is for gas; line 10g and 15h if the allowance is for sulfur; or 10h and 15h if the allowance is for NGL's. The allowance rate cannot exceed 50 percent of the value of the product without prior MMS approval.

$$\text{Allowance Rate} \quad \text{16}$$

THIS INFORMATION SHOULD BE CONSIDERED (Please check one) ☐ PROPRIETARY ☐ NONPROPRIETARY

INSTRUCTIONS FOR COMPLETING FORM MMS-4295, SCHEDULE 1

A separate Form MMS-4295, Schedule 1, must be used to determine the royalty allowance rate for each SAC/AID No. No allowance may be claimed if the facility is not off the lease. The allowance computed for the transportation facility applies to all selling arrangements associated with that transportation facility.

Part A is used to accumulate segment costs and to determine an allowance for transporting gas or gas products from the lease to a processing facility off the lease. The payor, using Part A, will compute a gas transportation rate (line 9h) which will be applicable to entrained products including NGL's, sulfur, CO₂, helium, and nitrogen. The payor must first complete lines 1 through 9 of Part A. If entrained liquids or sulfur are present in the gas stream, the payor must complete Schedule 1C (Allowance for Non-Arm's-Length Transportation of Gas Liquids and Sulfur) using the computed gas transportation rate from line 9h, Schedule 1. A transportation rate will be computed for NGL's and sulfur (in the gaseous form). The payor may then complete Part A, Schedule 1, by completing lines 10(g) and 10(h), Schedule 1, for the sulfur and NGL rates, respectively. The gas, sulfur, and NGL rates (lines 9h, 10g, and 10h) will be used in completing Part B, Schedule 1, for each product.

Part B is used to accumulate segment costs and compute an allowance for transporting gas or gas products from either a lease, or from a processing facility, to the nearest available market place or sales outlet off the lease. When gas is transported to a processing facility, processed, and gas or gas products are transported from the facility to a remote sales point, both Parts A and B must be used in computing the allowance.

The payor must submit a clear schematic diagram, on no larger than 8-1/2 by 11-inch paper, illustrating the transportation facility from the lease to the point where the products are disposed of. Processing facilities, points of measurement, and points of sale or disposition for royalty purposes must be designated.

1. Enter the same payor name, payor code, and address as shown on Form MMS-4295, Gas Transportation Allowance Report.
2. Enter the same AID Number and Selling Arrangement Code as used on Form MMS-2014. Enter the transportation facility name or identification number (as designated by the payor) unique to the transportation facility. Enter the Product Code (see Payor Handbook) of the product for which an allowance is being claimed. (Note: For a transportation facility consisting of only one segment, segment name or number will be the same as the facility name or number.)

Enter the reporting period. The period must be the same period shown in item 6 on Form MMS-4295, Gas Transportation Allowance Report.

The following instructions are applicable to Part A (lines 3-7) and Part B (lines 11-13):

- a. Describe each segment of the transportation facility; e.g., from lease XX-YYYYY to St. John processing facility.
- b. Identify the mode of transportation under which costs are incurred; e.g., pipeline, truck, rail, tanker, barge, etc.
- c. Indicate how facility/segment costs were incurred ("4" denotes payor-owned costs which include non-arm's-length and no contract situations; "6" denotes arm's-length contract costs).

- d. If transportation costs were incurred under arm's-length conditions, enter the total costs incurred for the period by multiplying the transportation rate by the quantity transported at that rate. No transportation allowance may be given for substances or products which are not valued for royalty purposes without prior MMS approval. If two or more rates are applicable during the reporting period, the cost incurred under each rate must be computed and summed. If, for example, the rates were \$0.10 per gallon for 150 gallons and \$0.15 per gallon for 100 gallons, the transportation costs would be \$0.10 times 150 gallons plus \$0.15 times 100 gallons or \$30.00.

Do not complete columns (e) through (h) for arm's-length costs.

If transportation costs were incurred under other than arm's-length conditions, complete columns (d) through (h). Using Schedule 1A, determine the operations, maintenance, and overhead expenditures and enter in column (d). A separate Schedule 1A must be completed for each individual segment.

- e. Enter depreciation costs for the reporting period. Schedule 1B must be used to determine depreciation costs.
- f. The rate of return shall be the industrial rate associated with Standard and Poor's BBB rating. Enter the monthly average rate as published in Standard and Poor's Bond Guide for the first month of the reporting period.
- g. Enter the beginning-of-year undepreciated capital investment. Schedule 1B must be used to determine beginning-of-year undepreciated capital investment. A separate Schedule 1B must be completed for each individual segment.
- h. Calculate the return on undepreciated capital investment by multiplying column f by column g.

Total columns d, e, and h and enter on lines 8d, 8e, and 8h, or lines 14d, 14e, and 14h, accordingly.

For Part A, sum lines 8d, 8e, and 8h and enter on line 9 - Total Costs. Enter total quantity of production transported from the lease, as measured at the approved point of royalty measurement, to the processing facility on line 9 - Total Quantity. (Note: The total throughput quantity excluding waste products which have no value must be used.) Compute the allowance rate, to six decimal places, by dividing line 9 - Total Cost, by line 9 - Total Volume, and enter on line 9h.

When determining an allowance for sulfur or NGL's, Schedule 1C must be completed.

- a. If the allowance is for transporting sulfur, enter the sulfur allowance rate from Schedule 1C, line 13(f), on Schedule 1, line 10g.
- b. If the allowance is for transporting NGL's, enter the NGL allowance rate from Schedule 1C, line 12, on Schedule 1, line 10h.

For Part B, sum lines 14d, 14e, and 14h and enter on line 15 - total cost. Enter the total product sales quantity transported from the lease, or processing facility to the sales point on line 15 - Total Quantity. (Note: The total quantity to be used is the sum of the sales quantities reported on Form MMS-2014 for the reporting period.) Compute the allowance rate, to six decimal places, by dividing line 15 - Total Cost, by line 15 - Total Quantity, and enter on line 15h.

16. The total unit allowance rate is equal to the sum of line 9h plus line 15h if the product is gas; line 10g plus line 15h if the product is sulfur, or line 10h plus line 15h if the product is NGL's. Enter on line 16.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.